

Auditor's Summary

Financial Audit of the Department of Health

Financial Statements, Fiscal Year Ended June 30, 2016



PHOTO: OFFICE OF THE AUDITOR

THE PRIMARY PURPOSE of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Health (DOH), as of and for the fiscal year ended June 30, 2016, and to comply with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by N&K CPAs, Inc.

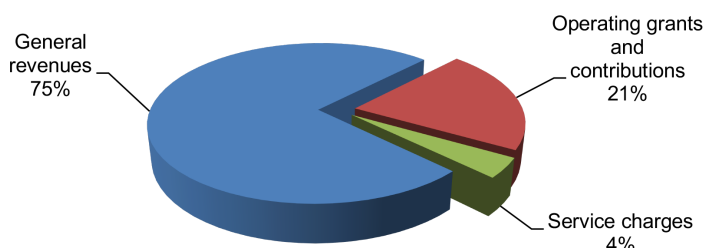
About the Department

DOH administers and oversees statewide personal health services, health promotion and disease prevention, mental health programs, monitoring of the environment, and the enforcement of environmental health laws. DOH also administers federal grants to support the State's health services and programs. DOH is organized into four major administrations: Behavioral Health Services, Health Resources, Environmental Health, and General Administration.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2016, DOH reported total revenues of \$775 million and total expenses of \$711 million, resulting in a change in net position of \$64 million. Revenues consisted of \$578 million from general revenues, \$166 million from operating grants and contributions, and \$31 million from service charges.

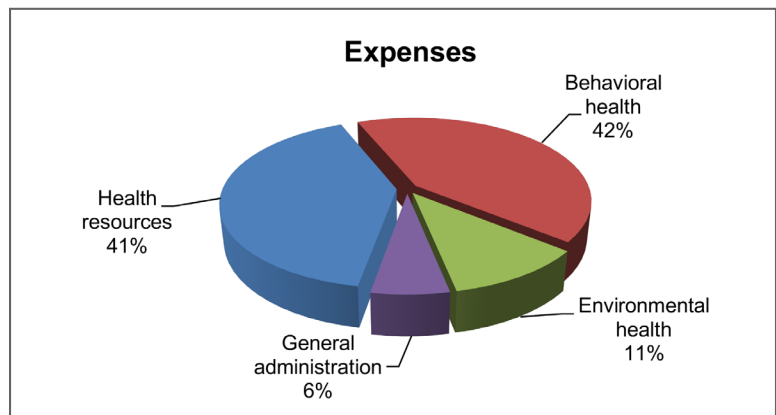
Sources of Revenues



Expenses consisted of \$292 million for health resources, \$301 million for behavioral health, \$77 million for environmental health, and \$41 million for general administration.

As of June 30, 2016, DOH's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$967 million. Total assets and deferred outflows of resources of \$1.102 billion were

comprised of cash of \$407 million, receivables of \$136 million, loans receivable of \$486 million, deferred outflows of resources of \$1 million, and net capital assets of \$72 million. Total liabilities and deferred inflows of resources totaled \$135 million. DOH's net position of \$967 million were comprised of a restricted amount of \$743 million, of which \$688 million were for loans, an unrestricted amount of \$152 million, and net investment of capital assets of \$72 million.



Auditors' Opinions

DOH RECEIVED AN UNMODIFIED OPINION that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOH received a qualified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

THERE WAS ONE SIGNIFICANT DEFICIENCY and no material weaknesses in internal control over financial reporting that are required to be reported under *Government Auditing Standards*.

Significant Deficiency

- The Deposit Beverage Container Program is susceptible to fraud because of an overreliance on self-reporting by distributors and redemption centers.

THERE WAS ONE MATERIAL WEAKNESS AND ONE SIGNIFICANT DEFICIENCY in internal control over compliance in accordance with the *Uniform Guidance*.

Material Weakness

- Federal funds were not disbursed in a timely manner to comply with federal regulations.

Significant Deficiency

- Federal funds used to pay for terminated employees' accrued leave were charged as direct program costs.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2016_Audit/DOH2016.pdf